

Economic Highlights

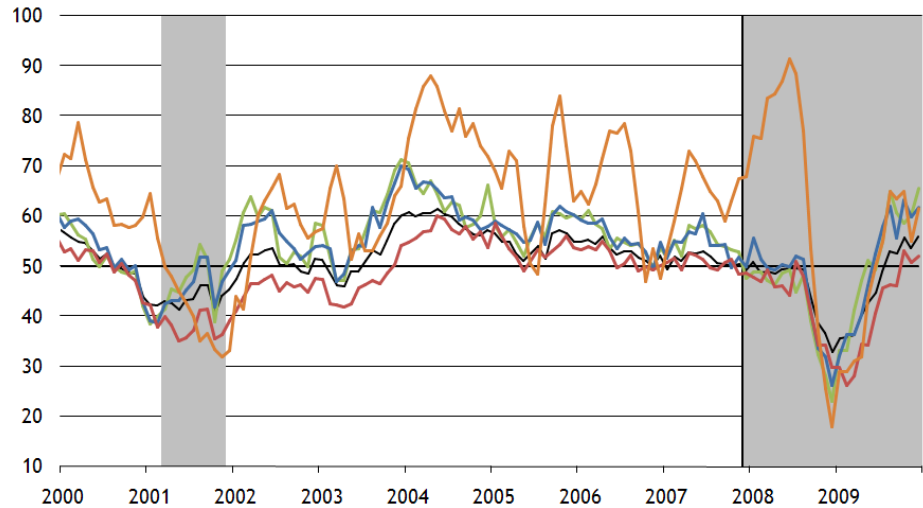
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Summary

The Institute for Supply Management's Purchasing Managers Index gained 2.3 index points to reach 55.9 in December 2009. The new orders component posted its highest reading in five years.

ISM Manufacturing Index and Components

50+ = expansion, December 2009



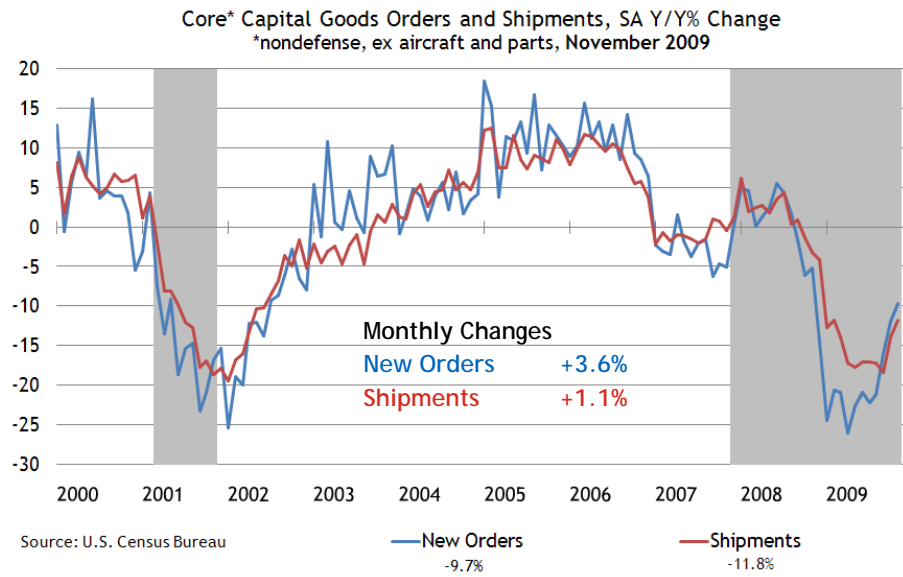
Source: Institute for Supply Management

- The ISM's manufacturing purchasing managers composite index rose 2.3 index points in December to reach 55.9.
- The new orders component posted a sizable gain of 5.2 index points to reach 65.5, its highest reading since December 2004. The ISM PMI survey has shown growth (though varying in magnitude) in new orders for the past six months.
- The production component added 1.9 index points to reach 61.8.
- The employment component gained 1.2 index points to reach 52.0. December was the third consecutive month the component was above 50.
- Often the most volatile component of the composite PMI, the ISM manufacturing price index increased 6.5 points in December to reach 61.5, marking the index's sixth consecutive month above 50.
- December's price index was a result of 32% of manufacturing respondents reporting paying higher prices, 59% reporting paying the same prices as in the prior month, and 9% reporting paying lower prices in December than in November.

Manufacturing

Summary

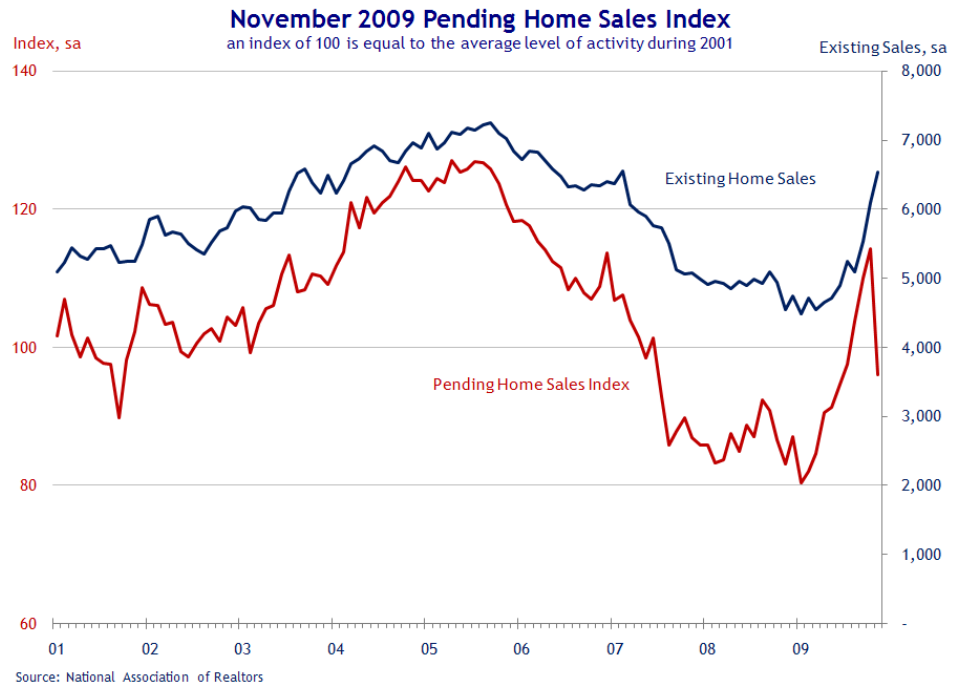
In November, new orders for core capital goods increased a strong 3.6%, higher than the advance estimate of 2.9%, while shipments of core capital goods increased 1.1%.



- New orders for core capital goods moved up 3.6% in November. The largest driver for the gain was a 6.7% month-over-month increase in computers and related products.
- Other significant drivers in the monthly increase include IT products, which added 3.8%, and machinery, which jumped up 3.3%. Within the machinery category, industrial machinery skyrocketed 28.4% in November after losing 0.9% in October.
- Shipments for core capital goods increased 1.1% in November. The largest driver for this increase was a 1.5% jump in the shipments of computers and related products.

Summary

The National Association of Realtors reported that the Pending Home Sales Index dropped sharply in November following nine consecutive months of gains, which have translated into improved existing home sales.

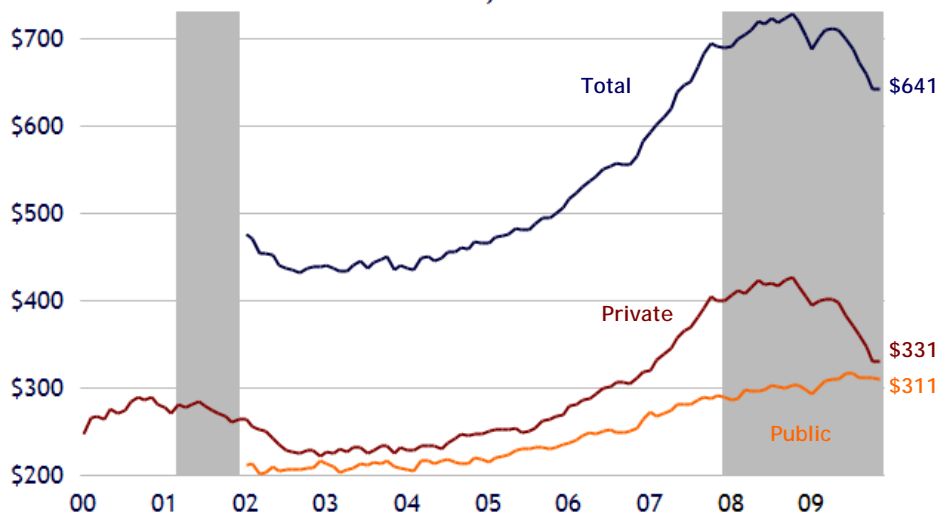


- The Pending Home Sales Index, an indicator that measures existing home contracts signed, declined to 96, a 16% decline from October but 15.5% above the year-earlier level.
- The decline in the index and the surge in home sales coincides with the expiration of the initial housing stimulus incentive, which required that closing occur prior to December 1. Because of the time it takes to move a home for sale from contract to closing, it is highly unlikely that homes placed under contract during November would have sold prior to December 1.

Summary

The U.S. Census reported that total nonresidential construction spending was virtually unchanged in November, down 0.2% from the downwardly revised October figure.

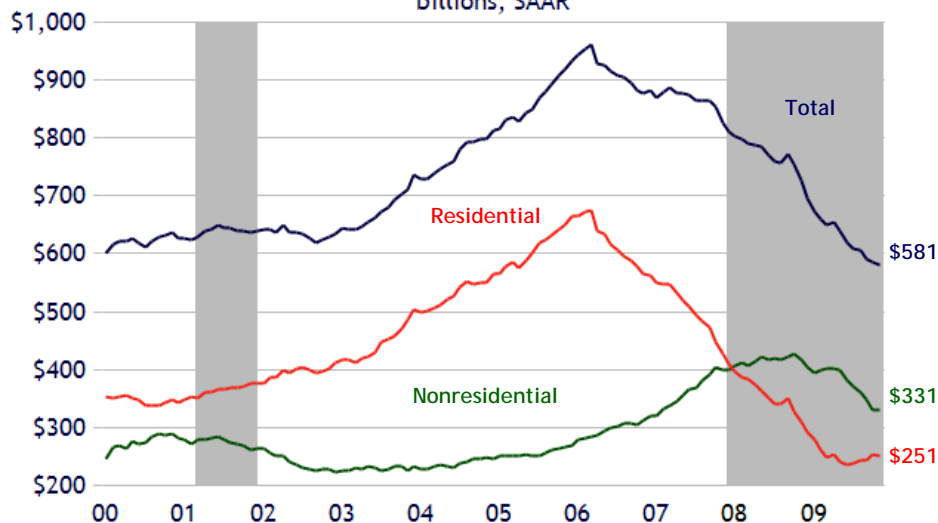
November 2009 U.S. Nonresidential Construction Spending billions, SAAR



Source: U.S. Census Bureau

Private construction spending declined nearly 1% in November. Softening in private residential construction spending was nearly offset by improvements in private nonresidential spending.

November 2009 U.S. Private Construction Spending billions, SAAR



Source: U.S. Census Bureau

November 2009 Construction Spending Put in Place

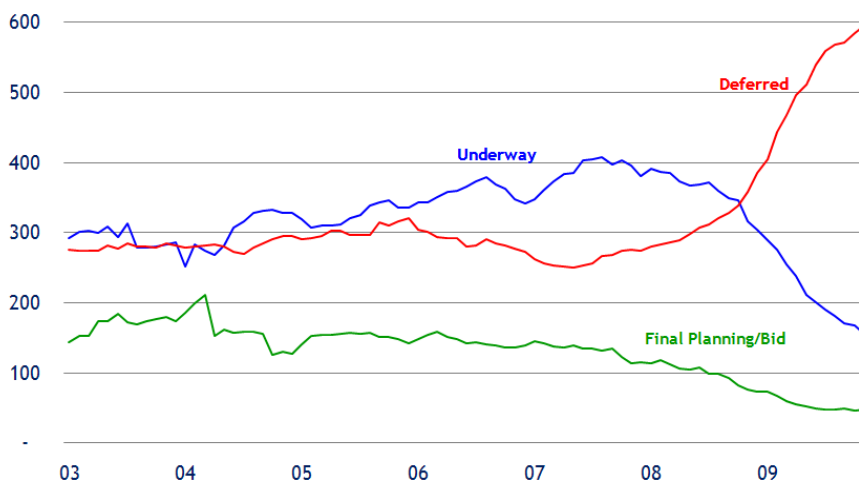
	millions, SAAR	y/y change	m/m change
Total	\$ 900,079	-13.2%	-0.6%
Total nonresidential	\$ 641,172	-10.9%	-0.2%
Private nonresidential	\$ 330,516	-20.6%	0.0%
Public nonresidential	\$ 310,656	2.5%	-0.4%
Total residential	\$ 258,907	-18.6%	-1.6%
Private residential	\$ 250,729	-19.2%	-1.6%

Summary

TWR/Dodge Pipeline data for November indicated that commercial construction activity under way continued to slow, declining 7% from October to November.

U.S. Office, Retail & Warehouse Construction Activity

SF in Mill. (thru November)

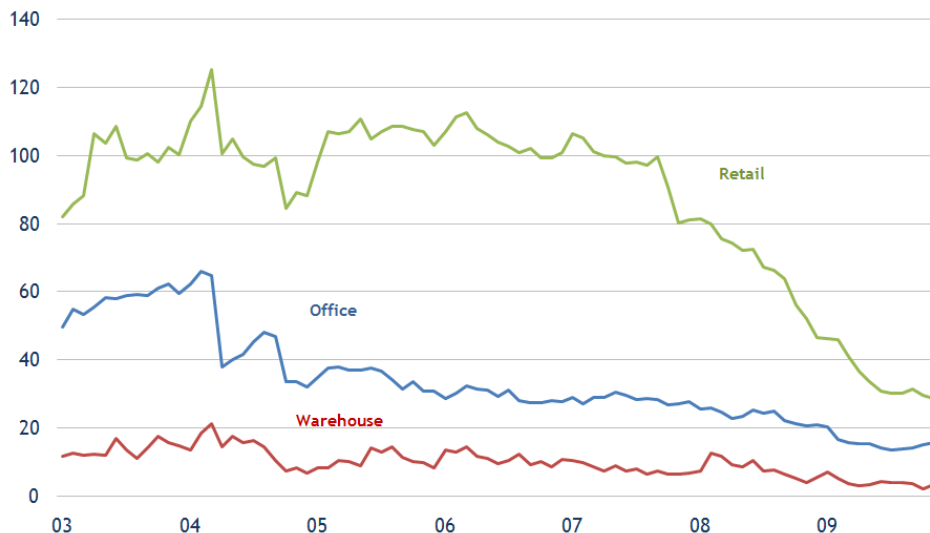


Source: McGraw-Hill/TWR Pipeline

Total space in the final planning or bid phase improved slightly in November following a weaker reading the prior month. However, weakening continued to be noted in the retail sector.

U.S. Commercial Construction in the Final Planning or Bid Phase

SF in Mill. (thru November)



Source: McGraw-Hill/TWR Pipeline

Note: TWR/Dodge Pipeline tracks commercial real estate projects through development phases.

Final planning—projects moving toward final approvals with a high probability that a construction contract will be awarded within the next six months

Bid—projects that have been finalized, are put out to bid by general contractors, are very close to being awarded, and have a very high probability of coming to market

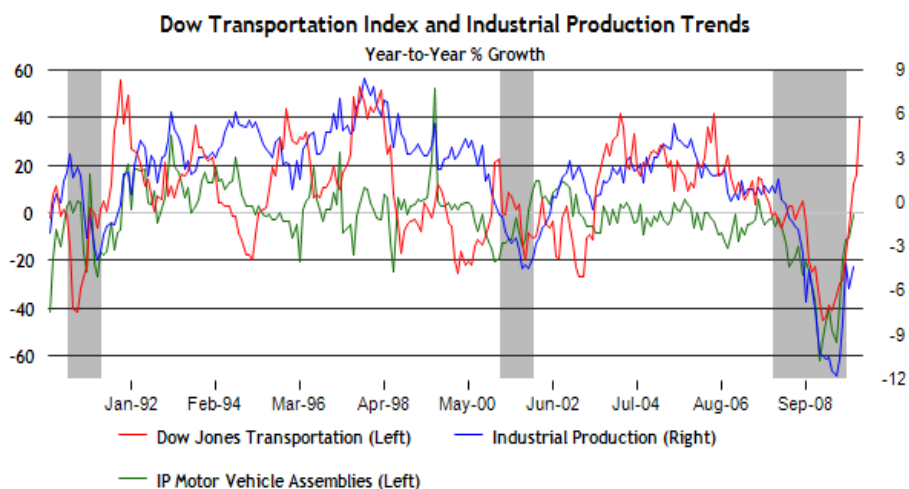
Under way—projects that are under construction

Deferred—projects delayed at any point in the planning cycle for reasons including problems with financing or design approvals or deterioration in market conditions

Transportation

Summary

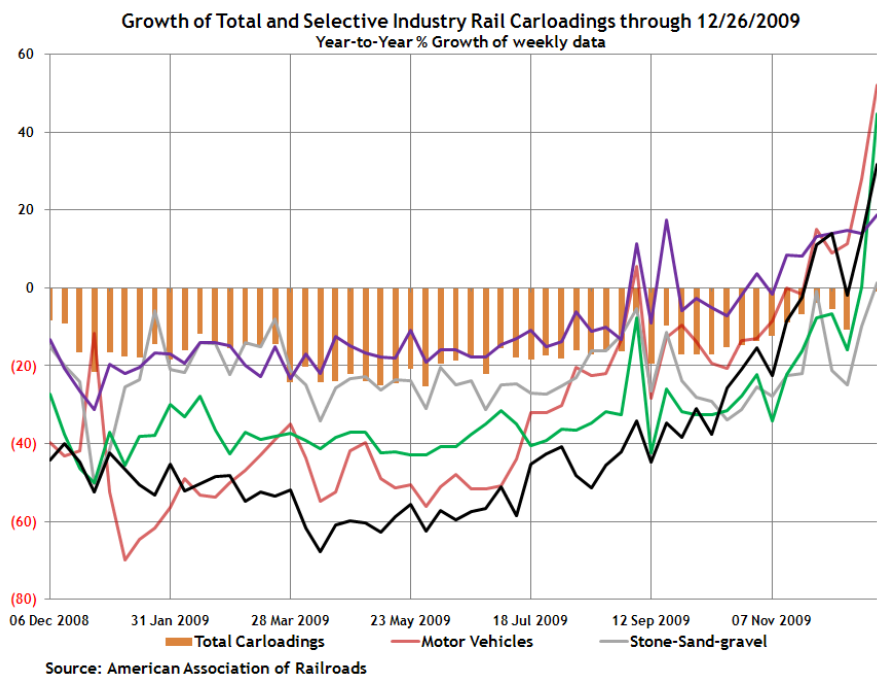
In December 2009, the Dow Jones Transportation Equity index rebounded strongly in late 2009 in line with rising auto-related production.



Source: Federal Reserve Board, NASDAQ.com, and MEDC

- The Dow Jones Transportation Index, an index of the nation’s top transportation public companies—from airlines to railroads—turned positive in late 2009 in line with the recent pickup in industrial production and freight demand.
- Over the years the transportation index has explained about half of the turns in vehicle and industrial production.

Railroad shipments through late December continued to post steady improvements.



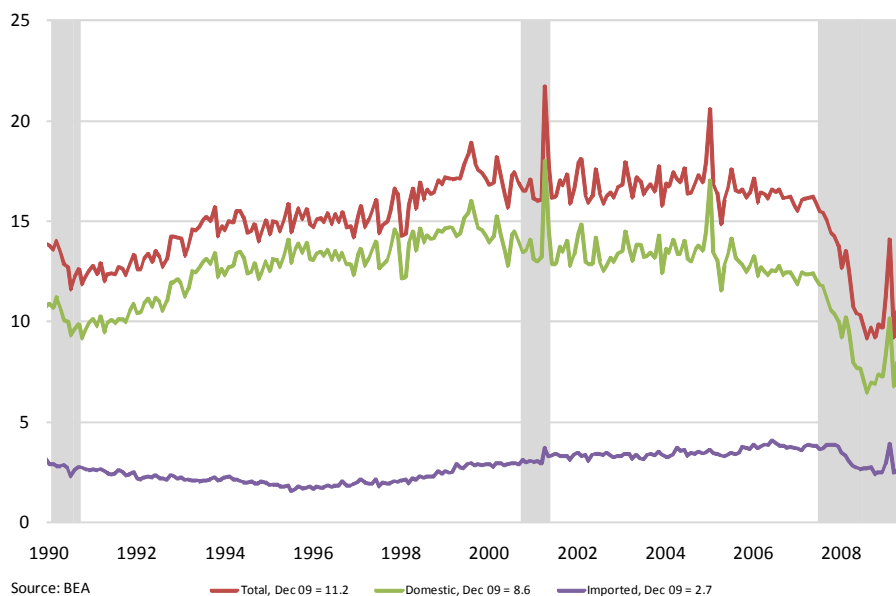
- The Association of American Railroads reported that total rail shipments through late December were nearly flat from comparable 2008 levels, a continued improvement from double-digit declines reported in previous weeks. Total rail shipments are nearly flat because of lower volumes of coal, a major load commodity.
- Four key rail industry shipments—autos, chemicals, lumber, and metals—posted gains in recent weeks, suggesting that the worst in the decline of industrial shipments may be over.

Consumer Spending

Summary

Light vehicle sales rose 0.3 million units in December from November, the third consecutive monthly increase.

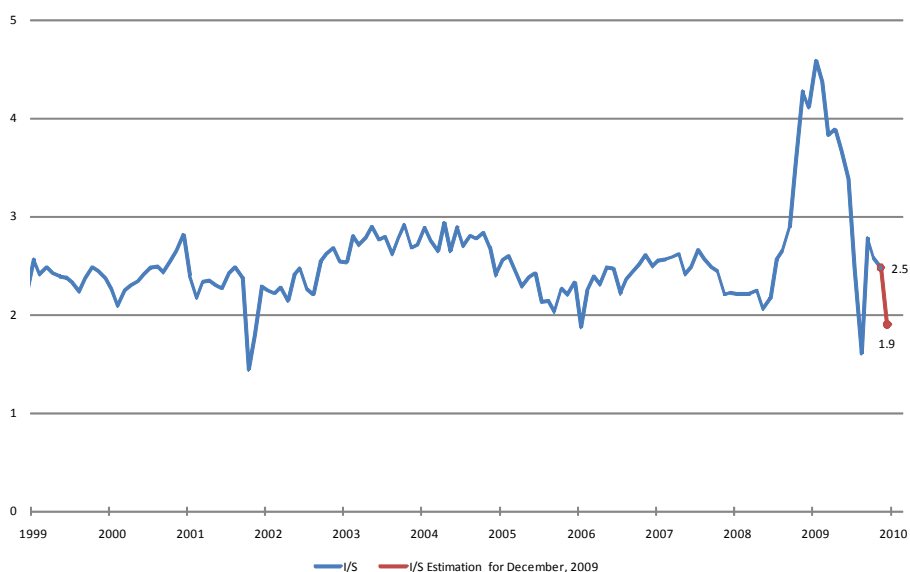
Light Vehicle Sales Millions of Units, SAAR



- Total light vehicle sales for December rose 3% from November to an annualized rate of 11.2 million units; Bloomberg's market consensus expectation was 11 million units. Light vehicle sales in December 2009 were 9% higher than in December 2008.
- Domestic vehicle sales rose 3% from November to an annualized rate of 8.6 million units in December. Imported vehicle sales increased 2% to an annualized rate of 2.7 million units.
- Auto sales were responsible for the increase while light truck sales remained flat from November to December.

The auto retail inventory sales ratio is expected to experience a substantial drop in December.

Auto Retail Inventory Sales Ratio



- Given the light vehicle sales data and rough projections of auto production for December, the auto retail inventory sales ratio is expected to drop considerably from November to December. Actual inventory sales data for December will be released at the end of January.